



NEVADA IRRIGATION DISTRICT

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(530) 273-6185 ~ Fax: (530) 477-2646 ~ www.nidwater.com

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November 6, 2019

NOV 12 2019

UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

William Johnson
Chief Executive Officer and President
PG&E Corporation
77 Beal St., P.O. Box 770000
San Francisco, CA 94177

FILED

NOV 12 2019

UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

Andrew Vesey
Chief Executive Officer and President
PG&E Corporation
77 Beal St., P.O. Box 770000
San Francisco, CA 94177

Case #
19-30088

**Re: Nevada Irrigation District's Notice of Intent for the Purchase and Sale of
Electric Distribution Assets in Portions of Nevada, Placer and Yuba Counties**

Dear Messrs. Johnson and Vesey,

The Nevada Irrigation District is a diversified water resource district in the foothills of Northern California's Sierra Nevada Mountains. NID is a publically owned utility, governed by an elected Board of Directors representing five Divisions within its approximate 287,000-acre boundary. The District provides treated water to approximately 19,500 customers and raw water to approximately 5,500 customers in Nevada, Placer, and Yuba Counties. The Nevada Irrigation District operates recreation facilities at the District's storage reservoirs and utilizes its water supply resources to generate approximately 82.2MW of hydroelectric power for the benefit of its customer base. NID employs 219 regular, full-time employees and is headquartered at an 18-acre site located in Grass Valley, CA.

Founded under the Irrigation District Power Act of 1919, the Nevada Irrigation District is uniquely situated to engage in its latent powers and provide retail electric service to local communities under its jurisdiction provided by California Water Code section 22115 et seq.

Background

Since 1921, Nevada Irrigation District has been reliably supporting the communities of Placer, Nevada and Yuba Counties with a consistent and reliable supply of water through its diverse network of 475 of open ditch canals and 400 miles of treated water pipelines. Since the 1960s, NID has supported the California electrical grid in providing approximately 82.2 MW of hydroelectric and solar power through Power Purchase Agreements with PG&E.

NID began its assessment and review of PG&E's local distribution system after holding a Community Choice Aggregation (CCA) meeting with interested members of the community in August 2018. NID began to advance its analysis and feasibility of the potential acquisition of the distribution system and associated assets within its District boundary in September 2018.

In light of the recent events and news surrounding the Pacific Gas and Electric Company bankruptcy, rate increases, PG&E's discretionary Public Safety Power Shutoff (PSPS) events, and at the request of the local community, Nevada Irrigation District has decided to earnestly explore options for providing sustainable and resilient electric distribution service to the local community as identified in Exhibit A.

Based upon the initial analysis and subsequent review and approval from its Governing Board of Directors, the Nevada Irrigation District is pleased to submit this non-binding Notice of Intent (NOI).

This proposal to add a retail electric utility service to NID's existing business lines is directly in-line with and complementary to the District's existing water, hydroelectric, and recreation service deliveries. Specifically, Nevada Irrigation District believes it can offer electrical services which:

- Enhance services to and reducing future financial impacts for our customers
- Integrate existing District business line functions into the fabric of the communities they serve
- Develop and manage resources in a self-determining manner with local control
- Will provide the highest level of service at the lowest possible cost without impacting the quality of service (best value)

In addition to the benefits provided locally to nearly 85,000 electric customers in the Sierra Nevada foothills within the three counties. NID believes this offer is in line with PG&E's risk evaluation of the region. NID stands ready to assume the liability and risk of the local Retail System Assets of the territory described in Exhibit A. NID believes this offer to be a valuable component of PG&E's long-term risk assessment and a benefit to the Debtor and shareholders.

Assets to be Sold

The assets to be sold include all of PG&E's retail electric system assets used and useful in the provision of service, operation, and maintenance, of distributed electric service, including without limitation, all, real property, assets, fixtures, appurtenances, rolling stock, and equipment, located in, or of service to, the area depicted in Exhibit A.

NID has identified a number of substations to be included in the sale and believes that areas of physical separation of the system would be technically feasible. NID has evaluated the area based on publically available data and welcomes discussion with

PG&E regarding mutually agreeable separation parameters which meet reliability and safety standards for all customers.

Acquisition Price

The Proposed Acquisition Price for the Retail System to PG&E is three hundred million one hundred ninety-six thousand nine hundred dollars (\$300,196,900) upon closing of the sale. NID has analyzed PG&E's assets and believes this valuation is an attractive valuation given the age of assets evaluated, correction of deferred maintenance necessary immediately upon sale, and for the reduction of liability and risk associated with assets located in the foothills of the Sierra Nevada Mountains.

Conditions Precedent

As a matter of course, in preparing a reasonable valuation of the assets as well as assessment through expert consultation and technical advisors, the Nevada Irrigation District has a number of Conditions Precedent, which must be satisfied prior to the closing of the sale. These Conditions include:

- LAFCo Approvals
- Necessary Voter Approvals
- CPUC Approval
- Bankruptcy Court Authorization
- Financing
- Environmental Review
- Non-Bypassable Charges

Due Diligence

The Nevada Irrigation District and its consultants have developed this Notice of Intent using publically available information. Access to the non-publically available information of the assets and records relating to those assets from PG&E is required for NID to perform adequate due diligence. NID has retained expert consultants who have assisted in the past 18 months in evaluating the assets to be acquired.

Non-Binding

This Notice of Intent represents the Nevada Irrigation District's interest in purchasing PG&E's retail system assets. This NOI shall be assignable and does not constitute an offer, agreement, or commitment to consummate any of the transactions contemplated herein.

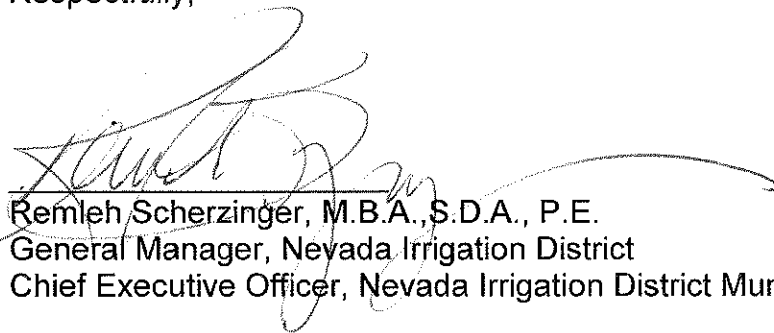
Closing

The Nevada Irrigation District welcomes and appreciates your consideration of this non-binding Notice of Intent. NID is encouraged by the local community and other regional governance support it has received in advance of providing this proposal. We believe there are significant benefits for both the local community and PG&E shareholders.

The NID executive team, Board members, legal, and financial advisors are eagerly standing by and await your earnest review and consideration of this proposal. Working diligently together, we believe we can parallel with the anticipated bankruptcy timeline process in advance of the June 30, 2020 reorganization deadline.

All correspondence associated with this proposal can be directed to me, Remleh Scherzinger, at Nevada Irrigation District General Manager, 1036 West Main St., Grass Valley, CA 95945, or at scherzinger@nidwater.com / 530-273-6185.

Respectfully,

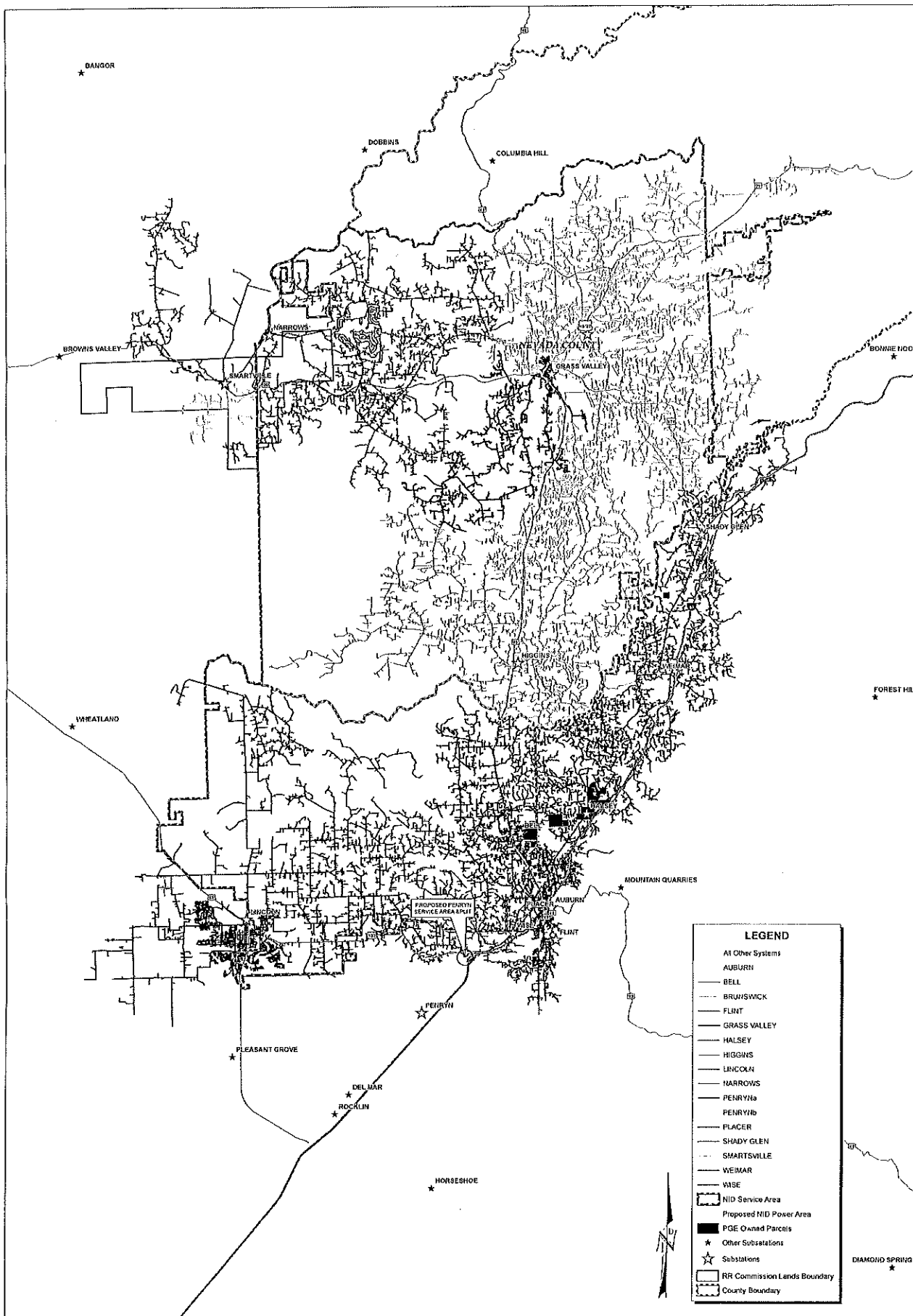


Remleh Scherzinger, M.B.A., S.D.A., P.E.
General Manager, Nevada Irrigation District
Chief Executive Officer, Nevada Irrigation District Municipal Finance Authority

cc. Nevada Irrigation District Board of Directors
Jason Wells, PG&E Corporation Chief Financial Officer
Janet Loduca, PG&E Corporation Senior Vice President and General Counsel
Honorable Judge Dennis Montali, U.S. District Justice
Honorable Judge William Alsup, U.S. District Justice
Honorable Judge Randall Newsome, JAMS Mediator and Arbitrator
Governor Gavin Newsom, State of California

Attachments:

Exhibit A: Logical Service Area



NEVADA IRRIGATION DISTRICT
NEVADA COUNTY - PLACER COUNTY
GRASS VALLEY, CALIFORNIA

LOGICAL SERVICE AREA

Drawn By: D. HUNT

Date: 11/5/2019

Scale: NO SCALE

EXHIBIT 'A'